

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



VADNAIS HEIGHTS

**Summary Report
January 2005**

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Business Retention and Expansion Summary Report

January 2005

Written by

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for the Business Retention and Expansion Strategies Program,
University of Minnesota Extension Service

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Vadnais Heights Business Retention and Expansion Program

Even growing cities like Vadnais Heights need to pay attention to their existing businesses. The Vadnais Heights Business Retention and Expansion (BR&E) Survey is a key effort for staying in touch with local businesses and developing strong local economic development efforts. While the attraction of new businesses and the encouragement of new business start-ups are important parts of an overall economic development strategy, many communities now recognize the need to do a lot more to assist existing businesses to grow and survive.

As a city, it is useful to think of Vadnais Heights as a provider of input services to firms located here—similar to other vendors that firms use. Just as businesses gain competitive advantage by continuously aligning their operations to provide better service to their better customers, Vadnais Heights must be looking for ways to provide a better environment for their premium paying customers—local employers.

The BR&E survey conducted by the Vadnais Heights BR&E Task Force is a way to get to know the needs and aspirations of Vadnais Heights' businesses. The survey results are used to develop strategies to help businesses expand in Vadnais Heights and remain there.

Objectives:

The Vadnais Heights BR&E Program has six objectives:

1. To demonstrate to existing firms that the community appreciates their contribution to the local economy.
2. To help businesses solve their problems and address their challenges.
3. To assist local businesses in gaining awareness of available resources.
4. To develop collaborative relationships for participating in comprehensive long-range retention and expansion activities.
5. To build community capacity and cooperation to sustain growth and development activities.
6. To contribute to the assessment of Vadnais Heights' capacity to accommodate growth.

Sponsorship:

This program is sponsored locally by the following entities: City of Vadnais Heights, Vadnais Heights Economic Development Corporation, and Connexus Energy (platinum level), Xcel Energy and Jimmy's Conference and Catering (gold level), and Priority Express (silver level). The following businesses contributed at the bronze level: Accu-Tronics, Incorporated, Arthur Cooper, Bay-Lan Investments, Buerkle Buick/Honda, Central Bank, Cook's Body & Mechanical, Culver's, Electronic Industries, Fairway Collision Center, G.M.L., Inc., Goff Homes, Olsen Thielen CPAs, Premier Bank, S.E.H. Incorporated, St. Croix Real Estate, Incorporated, Structural Wood Corporation, and U. S. Bench Corporation.

Vadnais Heights BR&E History:

The Vadnais Heights BR&E Program started in January 2004 with a presentation about the program to the Vadnais Heights Economic Development Corporation (EDC) by Michael Darger, BR&E Strategies Program Director, and Duane Arens, Connexus Energy. During February and March 2004, a leadership team was recruited to lead the BR&E project. Matching funds or in-kind contributions were successfully obtained. A Task Force of 32 people from a variety of sectors was recruited and trained in September 2004. Two pilot test visits to firms were conducted as part of the training.

Firm Visits:

During September and October 2004, the Leadership Team and Task Force members conducted 36 additional firm visits for a total of 38, including the two pilot test visits. Prior to the visits, Gerald Urban, Visitation Coordinator, sent copies of the survey instrument to the firms selected for interviews with a cover letter, alerting them to the upcoming visits. Volunteer firm visitors worked in teams of two persons and took responsibility for arranging and conducting the interviews.

Red Flag Reviews:

After the first 25 visits had been completed, the Task Force conducted a “red flag” review of those surveys on October 19th. A number of issues that required immediate attention were identified and referred to Rod Borden (labor issues), Gerald Urban/Tim Benetti (expansion issues), or other appropriate entities for attention. A second Red Flag session was held to look at eight surveys on November 4th.

Research Report Development:

The BR&E survey results were tabulated and analyzed by University of Minnesota staff. A summary was presented by Michael Darger at a State Research Review Panel meeting on November 8, 2004. The review panel members included University faculty, government analysts, and Task Force members. SWOT (strengths/weaknesses and opportunities/threats) analysis was used to review survey results and to suggest projects that might respond to local firms needs and concerns.

Task Force Retreat:

Based on the ideas generated at the State Research Panel Review meeting, a research report was presented at a four-hour Task Force retreat on December 14, 2004. At this retreat, the Task Force selected priority projects for continuing action. Teams were formed for each of the three priority projects that were chosen. The initial reports from these three teams are included in this report.

Additional expertise and assistance is needed and welcomed. If you have ideas, time, and talents to contribute to any of the three projects, please contact one of the team members listed with each priority project report.

If you would like to review the Research Report, ask a Task Force member or contact City Hall.

People in the Vadnais Heights BR&E Program

Leadership Team:

Overall Coordinators: Hank Tessier, Vadnais Heights EDC; and Duane Arens, Connexus Energy

Business Resources Coordinator: Rod Borden, Festival Foods

Media Coordinator: Mike Bromelkamp, Olsen Thielen CPAs

Milestone Meeting Coordinator: Stan Edwards, Community National Bank

Visitation Coordinator: Gerald Urban, City of Vadnais Heights

Vadnais Heights BR&E Task Force:

Many community leaders participated as Task Force Members and Volunteer Visitors. This group visited with firms and set priorities for implementation of selected projects.

Table 1. Task Force Membership

Bob Anderson	Former Mayor
Duane Arens	Connexus Energy
Tim Benetti	City of Vadnais Heights
Rod Borden	Knowlan's Super Markets, Inc.
Mike Bromelkamp	Olsen Thielen, CPAs
Brian Carnes	Premier Bank
Paul Christiansen	Paul Christiansen, CPA
Josh Deblizan	American Express Financial Advisors
Laura Dobozenski	City Council member

Stan Edwards	Community National Bank
Paul Gaston	City Council member
John Golaski	Metro Title
Bryan Hansen	Bentley's Grille & Pub
Maryann Jackson	Premier Bank
Andy Jannake	Olsen Thielen, CPAs
Sheldon Jensen	Northwest Title
John Ledy	GML, Inc.
Mark Lobermeier	SEH, Inc.
Mary McNellis	St. Croix Real Estate
Joan Peterson	Century College
Jim Proulx	Jimmy's Conference Center & Catering
Casey Regan	Premier Bank
Dean Shawbold	White Bear Lake School District
Kathy Simmons	Minnesota Workforce Center, North St. Paul
Mary Sinn	Resident of Vadnais Heights
Shelly Smith	Johnson Properties
Ken Stabler	Xcel Energy
Hank Tessier	Vadnais Heights Economic Development Corporation & former Mayor
Tom Thibedeau	Premier Bank
Gerald Urban	City of Vadnais Heights
Hue Vang	Sixty One Stop
John Wertish	Xcel Energy

Volunteer Firm Visitors:

These additional volunteers helped accomplish the firm visits.

Rebecca Anderson
Carolyn Bender
Roger Chlebecek
Barb Dammann
Kim Desouky
Brian Hammarsten
Corey Heimer
Roger Tauer

Firms Visited:

Thirty-eight firms were selected for visitation. The community greatly appreciates their willingness to help the community understand the needs of local businesses. Their survey responses are confidential but it is important to acknowledge their contribution by listing their names in this report.

Table 2. Businesses Interviewed

A. I. Automotive
Accu-Tronics, Inc.
Bentley's Grille and Pub
Cook's Autobody
Dufresne Manufacturing
Garcia's Hardware
GML, Inc.
Goff Homes
I. C. Systems, Inc.
Interplastic Corporation
Jimmy's Food and Drink/Jimmy's Conference Center
Knowlan's Super Market, Inc.
Master Level Controls
Merrick, Inc.
Midwest Roadsters
Minnesota Mold and Engineering
New York Burrito
PDQ Foods
Perkins (TJ Food Ventures, Inc.)
Pioneer Custom Cabinet II

Preferred Sheet Metal, Inc.
Quality Manufacturing, Inc.
Payless
R & S Liquors, Inc.
Rave Sports, Inc.
Reell Precision Manufacturing
Renstrom Dental Studio, Inc.
Richard Fischer Architects
RTI
S & T Office Products
Short Elliott Hendrickson, Inc.
Sixty One Stop
Speedway Super America
Structural Wood
Tousley Motor Sports
Wal-Mart
Wendy's
White Bear Dodge

BREI Certified Consultant:

Michael Darger served as the BR&E Certified Master Consultant to the Vadnais Heights Project. This includes coaching and advising the local Leadership Team; conducting training sessions with the Leadership Team, Task Force, and Volunteer Visitors; and facilitating quarterly implementation meetings when the Task Force moves into the priority project implementation phase.

State Research Review Panel:

Panel members reviewed the tabulated survey results and suggested potential actions that might be taken by Vadnais Heights' leaders to respond to local businesses' needs and concerns. Panel participants were:

Vadnais Heights BR&E Task Force:

Duane Arens, Connexus Energy
 Stan Edwards, Community National Bank
 Hank Tessier, Vadnais Heights EDC

Gerald Urban, City of Vadnais Heights

State Agency and Other:

Candace Campbell, CDC Associates
Kyle Uphoff, Minnesota Department
of Employment and Economic
Development

University of Minnesota:

Michael Darger, UM BR&E Strategies
Program
Marilyn Grantham, BR&E Report
Writer
Joyce Hoelting, UM Extension Service
Community Vitality
Cynthia Messer, UM Tourism Center
Ed Schuh, UM Hubert H. Humphrey
Institute

Vadnais Heights' Economic Profile:

Kyle Uphoff, Lead Regional Analyst, Minnesota Department of Employment and Economic Development prepared an economic profile of Vadnais Heights. It was used in the analyses by the Research Review Panel and the Task Force. This profile provides an overview of population, income, and employment trends in Vadnais Heights, compared with other communities. The economic profile is included in the Vadnais Heights BR&E Research Report that is available for review at the Vadnais Heights City administrative office or from any Task Force member.

Briefly, Vadnais Heights is a growing, middle income community in Ramsey County. Its rate of population growth during the 1990s exceeded that of the county, state, and adjoining communities. However, significant population growth occurred mostly in

the age categories from 45 and above, indicating an aging workforce. Growth in per capita personal income (PCPI) in Vadnais Heights—\$30,891 in 2000—exceeded that in the county, Twin City MSA, Minnesota, and the U. S.—between 1990 and 2000. Total employment grew a modest 1.2 percent from 2000 to 2004. Major occupational categories indicated by the 2000 Census are professional and related (21.7%), management, business, and financial operations (18.7%), office and administrative support (17.8%), and sales and related (12.3%).

Manufacturing is the largest employment sector in Vadnais Heights with 27.1 percent of the total of 7,205 jobs at the end of the first quarter of 2004, but also is the sector that lost the most jobs of any category during 2000-04. Employment sectors that gained jobs during 2000-04 are wholesale trade (+24.7%) and finance and insurance (+22.6%). Leisure and hospitality industries also contributed much to positive job growth in Vadnais Heights during recent years.

Vadnais Heights' BR&E Survey Results:

Characteristics of Firms Visited:

Thirty-eight firms were visited during the BR&E survey with most visits made during September and October 2004. The firms visited represent about 11.7 percent of the 325 business firms currently licensed to operate in Vadnais Heights. The survey response rate was 52.3 percent of the 70 firms originally selected for visits.

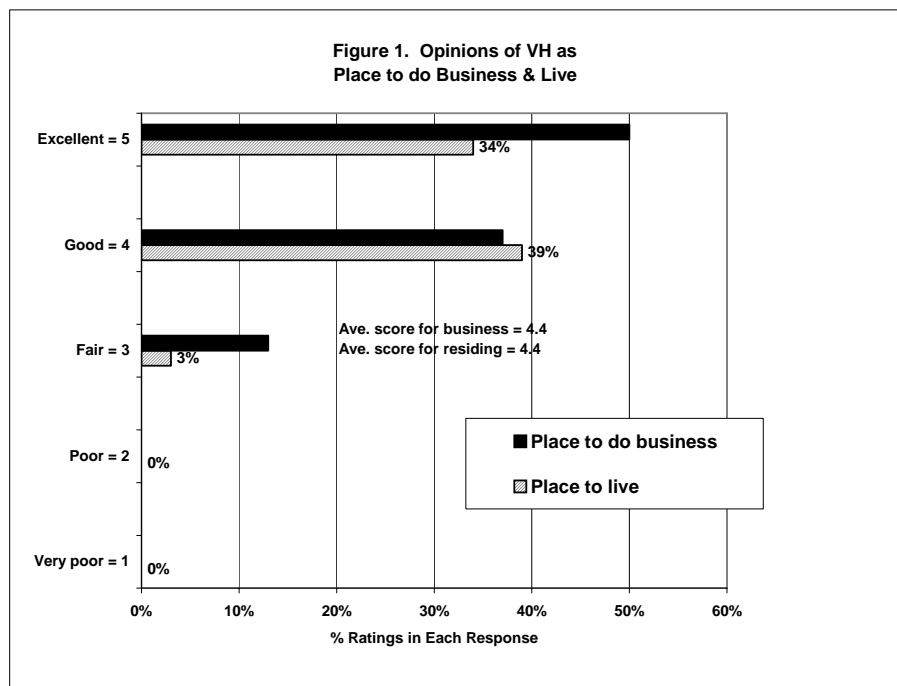
The visitation list was developed by loosely sampling firms from five key

business categories that the BR&E Leadership Team think are the most important contributors to the Vadnais Heights economy and have the most potential for expansion—automotive, hospitality, manufacturing, retail, and service/office. For example, manufacturers were deemed the most important type of business in terms of contributing to the local economy so all 16 firms in that category were put on the visitation list. The largest category of businesses by far was services/office so 16 firms also were chosen from that category. Other firms were selected for visitation because of their importance as employers and/or other businesses owned and potential for expansion. Except for manufacturing, each firm category had a 50-50 mix of hand selected versus randomly selected firms chosen to interview.

Twelve out of the 16 manufacturing firms on the visitation list were visited. Two services/office firms were visited. Twelve retail trade visits were made and

five hospitality firms were visited. The remaining five visits were to automotive, construction, transportation/public utility, and other category firms.

Businesses interviewed value Vadnais Heights as a business location because of its proximity to downtown St. Paul and Minneapolis, as well as proximity from the Minneapolis/St. Paul airport. Community diversity and Vadnais Heights Heritage Days and Taste of Vadnais community events were also cited as having a positive impact on local businesses. If they had to decide where to locate their businesses all over again, 84 percent of the businesses interviewed would choose Vadnais Heights. Interviewed firms' opinion of Vadnais Heights as a place to do business is 87 percent good/excellent (average score of 4.4 on a scale ranging from very poor (1) to excellent (5)). Their opinion of Vadnais Heights as a place to live on the same scale is 73 percent good/excellent (there was higher non-response on this question).



Overview of Business Strategies and Priority Projects for Vadnais Heights:

Profits are the key to the retention and expansion of businesses in any local economy. While the owners of an individual firm might be attracted to an area because it is a nice place to live and raise a family, a business can only survive if it makes a profit (business revenues exceed costs). The same is true for businesses that start up in the community. The owners may be loyal to the community, but if they cannot make their business operation profitable they must close it or move it—they do not have any other choice.

In a market economy, making a business profitable is the responsibility of the firm's management and its employees—not community groups or local and state governments. However, the actions of these entities can sometimes help business firms become somewhat more profitable. The BR&E strategies and specific project suggestions that follow are aimed at helping Vadnais Heights firms become more profitable and thus be able to survive and grow in the community.

The following three BR&E strategies were recommended as responses to Vadnais Heights firms most important needs and concerns. Three priority projects—each related to one of the three strategies--were chosen for implementation by the Task Force on December 14, 2004.

Strategy 1. Improve Labor Availability and Productivity. Priority Project #1. Establish relationships among firms and local

educational institutions providing employee training resources.

Strategy 2. Improving Firm Profitability Through Technical and Development Assistance. Priority Project #2. Increase coordination between the city and the VHEDC and expand the VHEDC website to better serve firm needs.

Strategy 3. Improve Vadnais Heights' Physical Environment and Community Services. Priority Project #3. Develop the City Center as a place to "Sleep, Meet, and Eat" with hotels, housing, and other facilities adjacent.

Priority Project #1: Establish relationships among firms and local educational institutions providing employee training resources.

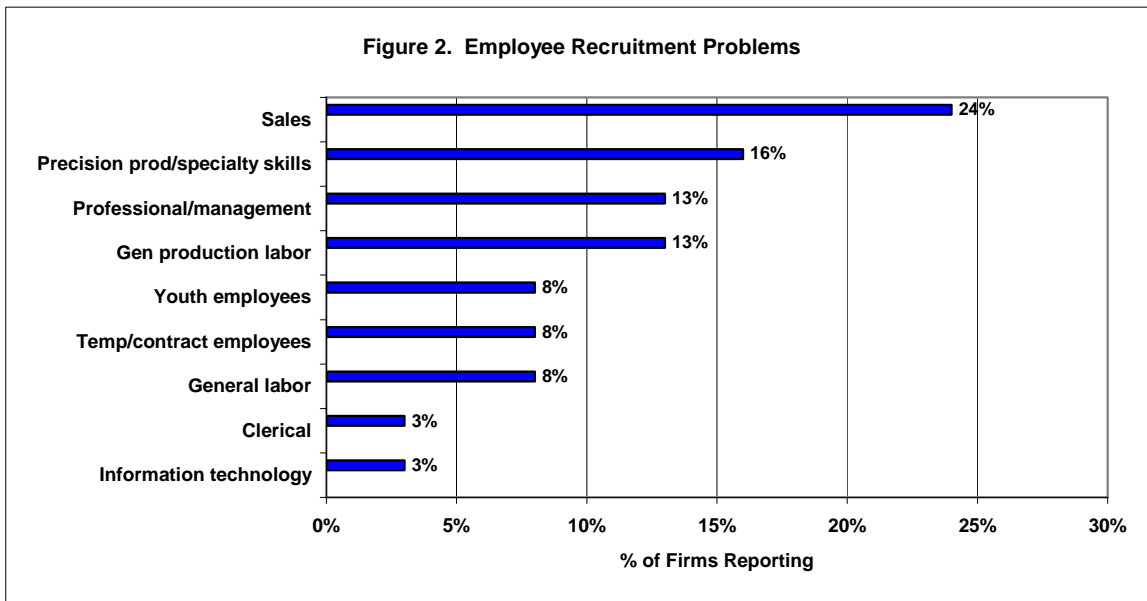
Labor availability can be a major economic expansion problem due to comparatively low unemployment rates and the declining rate of new entrants to the job market as the general population ages. In addition, suburban communities like Vadnais Heights also often have difficulty recruiting employees from St. Paul, Minneapolis, and other Twin City communities nearby because of a lack of public transportation and affordable housing.

One of the most effective ways for firms to increase profitability is to continuously work to improve labor productivity with employee training and development. Higher labor productivity allows firms to pay higher wages, which in turn, reduces employee turnover and makes it easier to be competitive in attracting new workers.

This strategy is intended to help firms in Vadnais Heights more effectively recruit and/or retain workers and learn about means of improving their labor productivity via employee training programs available to them.

Related Survey Results:

BR&E surveys ask firms about the kinds of employees they are having trouble recruiting and the kinds of employees they expect to hire in the near future. Vadnais Heights firms interviewed indicate problems in recruiting employees in all major categories.



Some of the difficulty attracting new workers to Vadnais Heights may include lack of adequate median-priced and rental housing in the city and public transportation to work places—both indicated as needed by firms interviewed. Firms indicate that about 15 percent of their workers currently live in Vadnais Heights. An additional 55 percent live in Ramsey County but outside of Vadnais Heights and the remaining 30 percent live outside Ramsey County.

In general, Vadnais Heights firms interviewed are pleased with the employees they currently have. Ninety percent indicate they rate their employees' attitudes toward work as

“good” and “excellent” (average score 4.4 on a scale ranging from very poor (1) to excellent (5)) and 87 percent rate employee productivity as “good” or “excellent” (same scale). The average number of full-time workers per firm for the 38 firms interviewed is currently 58, up from 54 three years ago, while the number of part-time workers currently averaged 14, up from 13 three years ago. The majority (58 percent) of part-time workers are employed year-round.

Priority Project #1 Team Report

Team members: Mike Bromelkamp, Paul Christiansen, Sheldon Jensen, Joan Peterson, and Dean Shawbold. Contact one of these people to learn more or to get involved.

This committee is planning a breakfast meeting in late April/early May that will bring together VH employers, representatives of educational institutions offering employee training and development resources, and Task Force members. The purpose is to establish connections and relationships among local businesses and educational/training resources available to them.

Priority Project #2: Increase coordination between the city and the VHEDC and expand the VHEDC website to better serve firm needs.

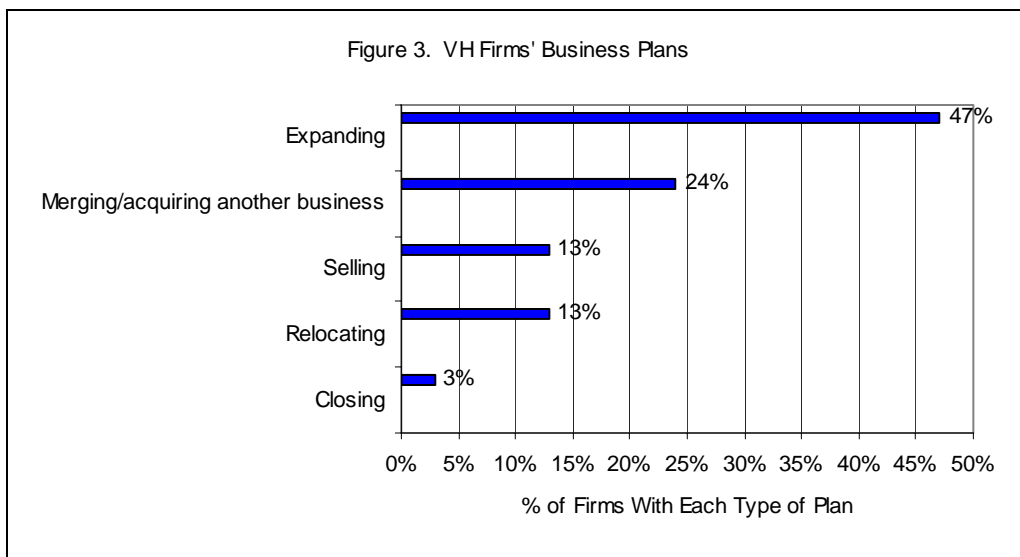
A city such as Vadnais Heights is in the business of providing industrial and commercial environments for the price of fees and property taxes. Accordingly, businesses can be viewed as its premium customers. Maintaining good communications with these customers should result in more satisfied business residents in Vadnais Heights, as well as a feeling of improved level of service that businesses receive from the city. Nowadays a well-designed, easy-to-use website is an important communication

tool, enabling firms to readily find the technical and development assistance they need to continue to be profitable and remain in the community.

Related Survey Results:

Forty-two percent of the Vadnais Heights firms interviewed indicate there are technological innovations on the horizon in their industry that may affect them within the next three years. Examples of these new technologies include digital graphic enhancements, automated/computer controlled equipment, CAD systems, and the like. Twenty-four percent of these firms also indicate these new technologies will require retraining their employees.

About 47 percent of the 38 Vadnais Heights firms interviewed are considering expanding and 24 percent are considering merging with or acquiring another business. The major reasons cited for these plans include (1) changing market conditions (29 percent of firms), (2) overcrowded buildings (13 percent of firms), and (3) other business opportunities (11 percent of firms).



Five firms interviewed (13 percent of the total) are considering relocating but two are considering new sites in Vadnais Heights. Two others are considering sites outside the city, but in the county. Fifty-five percent of firms interviewed already own or lease property that will enable them to expand.

Thirty-nine percent of the firms interviewed are planning to modernize or expand their present buildings or equipment. Twenty-one percent of the firms planning to modernize or expand facilities say this will mean adding a total of 72.5 new jobs.

Priority Project #2 Team Report

Team members: Duane Arens, Rod Borden, Brian Carnes, Kathy Simmons, Mary Sinn, Shelly Smith, and Hank Tessier. Contact one of these people to learn more or to get involved.

This team is focusing on improving the Vadnais Heights Economic Development Commission website—linking it to the city website and making it a “one-stop” resource for existing firms and businesses considering moving to Vadnais Heights. They intend the website to

- enhance communications between businesses in Vadnais Heights,
- coordinate activities of interest to firms and their employees,
- connect businesses with financial, marketing, employment and training, real estate, and other needed resources and services,
- communicate the benefit of businesses in the city to local citizens, and
- overall, improve the relationship between the city and local businesses and residents.

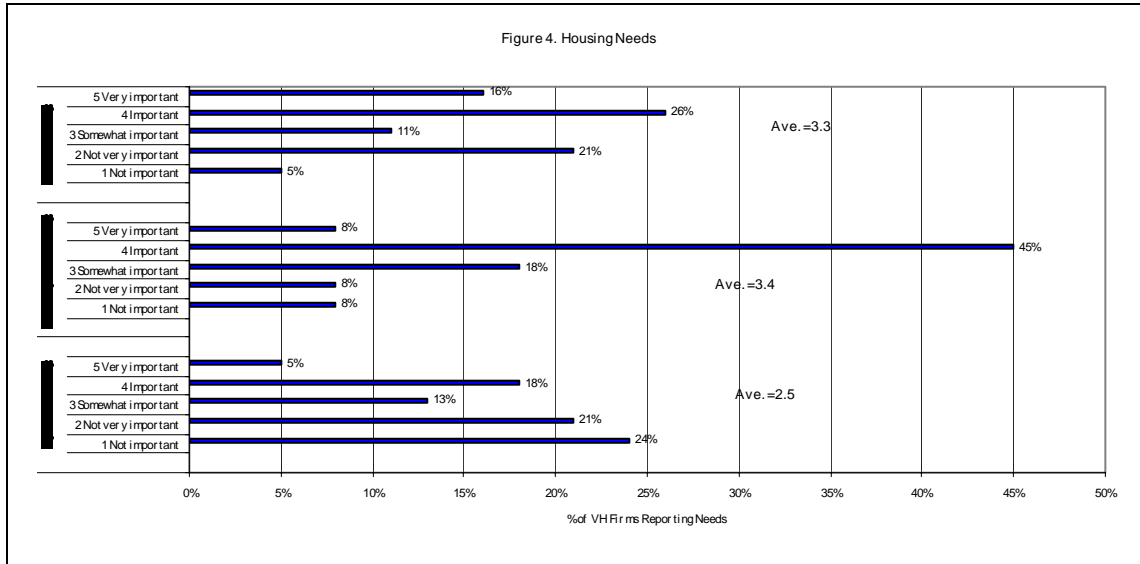
Priority Project #3: Develop the City Center as a place to “Sleep, Meet, and Eat” with hotels, housing, and other facilities adjacent.

While firms surveyed indicate a good deal of satisfaction with Vadnais Heights as a place to live, work, and do business, there were also indications that a good many employees and CEOs live elsewhere. The local economy would be enhanced by development of the city center with a mix of retail, service, and hospitality businesses, moderately-priced rental and owner housing, transportation, and additional recreational amenities that would make it possible to not only work in Vadnais Heights but also to shop, eat, and play there. Enabling employees to live nearer their work and reducing commuting time would also enable them to have more time to shop and recreate locally, thus keeping the dollars spent circulating within the immediate community. This could provide a significant boost to the local economy, as well as a major attraction to newcomers considering working in local firms.

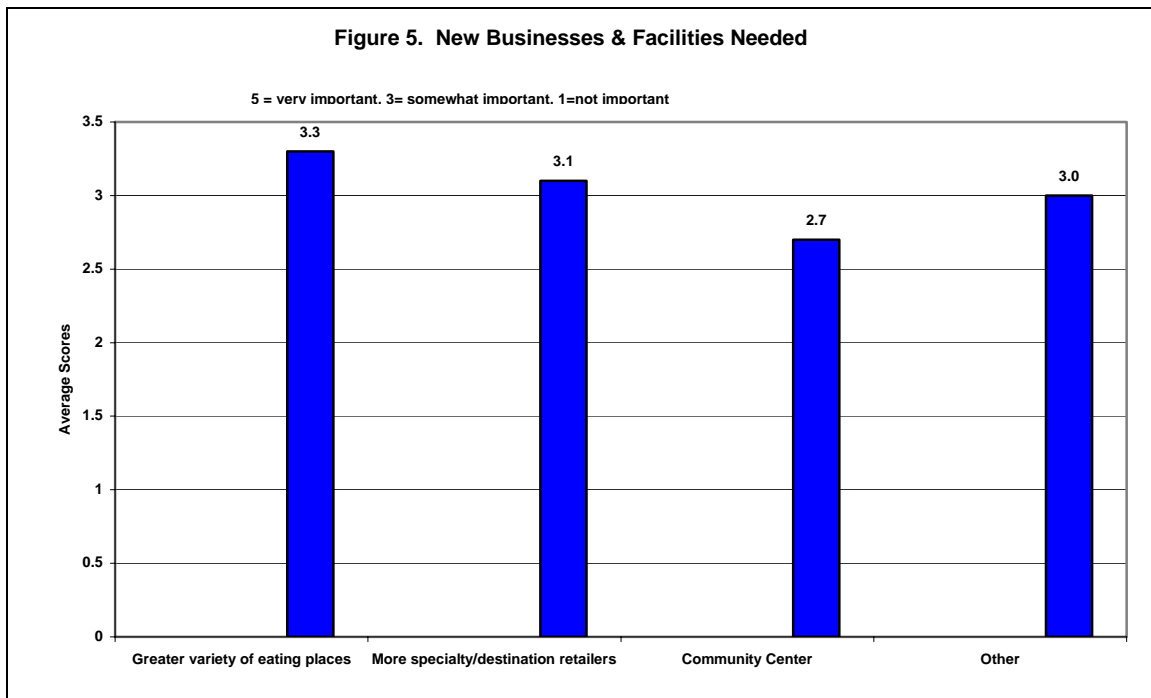
Related Survey Results:

Although firms interviewed were relatively complimentary about Vadnais Heights as a place to conduct business (73 percent of them rated the city as good/excellent) and to live (73 percent rated the city good/excellent), there were some important concerns expressed. Firms indicate that median-priced and rental housing are needed and that bus transit is substandard. These issues could be major blockages to recruiting new workers for general production labor and hospitality/service jobs, especially people leaving welfare and

minority people living in St. Paul, Minneapolis, and other nearby localities.



Firms indicate a fairly high level of satisfaction with most community services but they also want the city to attract/develop additional hospitality businesses and facilities.



Survey firms also think community diversity, wildlife and open space, and events such as Heritage Days and Taste of Vadnais have a positive impact on local businesses.

Priority Project #3 Team Report

Team members: Tim Benetti, Laura Dobozenski, Paul Gaston, Andy Jannake, Gerald Proulx, Jim Proulx, Tom Thibedeau, and Gerald Urban. Contact one of these people to learn more or to get involved.

This team is focusing on improving the City Center, including hotel recruitment and adjacent housing development. They are especially interested in providing more affordable housing and apartments in and near the City Center (a need specifically indicated by firms surveyed as a limitation in recruiting more employees), as well as senior housing to enable older citizens to remain in the community. The theme for City Center development is “Sleep,

Meet, and Eat”—providing a mix of restaurants and hotel accommodations, as well as housing, that will enable residents and visitors to access desired services conveniently. In addition, this team wants to attract more health care facilities and enhance the mix of retail trade and local transportation, parking, and connected sidewalks/trails.

The Vadnais Heights Task Force selected the three priority projects described in this summary report. This report was written by Marilyn Grantham and Michael Darger, University of Minnesota Extension Service, Community Development and Vitality Capacity Area. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246.

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